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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-66375; File No. SR-CBOE-2011-117)

February 10, 2012

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving Proposed Rule Change Relating to its Automated Improvement Mechanism

On December 14, 2011, the Chicago Board Options Exchange, Incorporated (“Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend CBOE Rule 6.74A, which relates to the Exchange’s Automated Improvement Mechanism (“AIM”). The proposal would permit a Trading Permit Holder (“TPH”), when submitting an agency order to AIM to initiate an auction, to elect to have last priority in the AIM auction’s order allocation.<sup>3</sup>

The proposed rule change was published for comment in the Federal Register on December 29, 2011.<sup>4</sup> The Commission received no comments on the proposal.

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In an AIM auction, described here generally, a TPH submits into the mechanism an order that it represents as agent (“Agency Order”) along with a contra-side order at a specified price (which must comply with parameters set forth in Rule 6.74A) and for the same size that either represents principal interest of the TPH or is a solicited order. Certain Exchange participants, as set forth in Rule 6.74A, then can compete with the contra-side order by submitting bids (offers) to execute against the Agency Order. After better-priced orders are filled and public customers competing at the best price receive their allocations, the TPH is granted priority ahead of other participants to execute against 40% (in some circumstances 50%) of the original size of the Agency Order. Under the proposed rule change, the initiating TPH will be able to elect to have last priority.

<sup>4</sup> See Securities Exchange Act Release No. 66038 (December 22, 2011), 76 FR 82016.

securities exchange<sup>5</sup> and, in particular, the requirements of Section 6(b)(5) of the Act,<sup>6</sup> in that it is designed to provide additional flexibility for TPHs to obtain executions on behalf of their customers through AIM because the initiating TPH may elect to have last priority. The Commission believes that, as a result of this flexibility, there may be increased usage of AIM auctions and the mechanism may attract new participants, thereby helping to further competition and to enhance the possibility of price improvement on behalf of customers.<sup>7</sup>

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the

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<sup>5</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> The Commission notes that Chapter V, Section 18(f)(v) of the Rules of the Boston Exchange Group, LLC, "The Price Improvement Period" ("PIP"), includes a similar provision that permits an options participant initiating a PIP auction to designate a lower amount than the 40% to which it is otherwise entitled upon the conclusion of the PIP auction.

<sup>8</sup> 15 U.S.C. 78s(b)(2).

proposed rule change (SR-CBOE-2011-117) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).